VUKILE PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2002/027194/06)
JSE share code: VKE NSX share code: VKN
Bond company code: VKEI
(Granted REIT status with the JSE)
("**Vukile**" or the "**Company**")

ACQUISITION OF A RETAIL PORTFOLIO IN PORTUGAL

1. Introduction

Shareholders are advised that Vukile's 99.5% held subsidiary, Castellana Properties SOCIMI, S.A. ("**Castellana**"), has concluded a share purchase agreement (the "**SPA**") with Suitable World, Unipessoal, Lda, a Portuguese company ultimately owned by Harbert European Real Estate Fund V LP, which is a European real estate fund sponsored by Harbert Management Corporation (collectively, the "**Seller**"), pursuant to which Castellana will acquire a high-quality, blue-chip tenanted shopping centre portfolio, comprising three assets located in Portugal (collectively, the "**Properties**") (the "**Transaction**").

The Seller will sell the entire issued share capital of each of the three property owning companies - namely, Rio Sul - Centro Comercial, S.A., Loureshopping - Centro Comercial, S.A. and 8ª Avenida - Centro Comercial, S.A (collectively, the "**Companies**") – to Castellana.

Castellana is entitled to assign its rights under the SPA to a nominee. Castellana will nominate a newly incorporated subsidiary ("**Newco**") as the purchaser. Eighty per cent (80%) of the shares in Newco will be held by Castellana and twenty per cent (20%) of the shares in Newco will be held by RMB Investments and Advisory Proprietary Limited ("**RMBIA**"). RMBIA is a company incorporated in the Republic of South Africa within the FirstRand Limited Group.

2. RioSul – Lisbon

RioSul is a well located and highly visible shopping centre in Lisbon. Located 20 minutes from central Lisbon, the centre was opened in 2006 and is a two-story shopping centre in southern Lisbon in Seixal, with good visibility and access from the A2 highway. The centre comprises a total gross lettable area ("**GLA**") of 46 006m², of which Castellana will be acquiring 23 515m², and includes national tenants such as Zara, Bershka, Pull&Bear, Stradivarius, Ikea, Foot Locker and C&A amongst others, as well as a strong food offering and cinema complex. The remaining GLA of 22 491m² is anchored by a Continente Hypermarket, with a strong trading performance as well as other smaller adjacent stores, which do not form part of the Transaction.

RioSul has a strong and loyal customer base, with an annual footfall of close to 8 million people and total annual sales of c. €98 million. The centre is dominant in its catchment area and has a resident population of approximately 460 000 inhabitants within a thirty-minute drive. The South Bank of Lisbon is growing in both population and purchasing power and has witnessed population growth of 5.5% from 2012 to 2022.

3. Loures – Lisbon

Loures is a well-located shopping centre located in the suburb of Loures in the north of Lisbon. The centre was opened in 2005 and is a two-story shopping centre with good visibility and access from the A8 highway. The centre comprises a total GLA of 44 745m², of which Castellana will be acquiring 29 398m², and includes national tenants such as Zara, Bershka, Pull&Bear, Stradivarius, H&M, Foot Locker and C&A amongst others, as well as a strong food offering and cinema complex. The remaining GLA of 15 747m² is anchored by a Continente Hypermarket, with a strong trading performance as well as other adjacent stores which do not form part of the Transaction.

Loures Shopping Centre has an annual footfall of c. 6 million and total annual sales of €77 million.

The centre is dominant in its catchment area and has a resident population of approximately 116 000 inhabitants within a ten-minute drive. The suburb of Loures is a growth node of greater Lisbon, exhibiting a growth rate of 13% from 2011 to 2021. The area will benefit from a new metro station which will be integrated into the shopping centre, set to open in 2026.

4. 8ª Avenida – Porto

8ª Avenida is the only shopping centre in São João da Madeira, an industrial and manufacturing town located 40 minutes south of Porto. The centre was opened in 2007 and is a two-story shopping centre, easily accessed from the N1 highway. The centre comprises a total GLA of 28 923m², of which Castellana will be acquiring 21 170m² and includes national tenants such as Lefties, Bershka, Pull&Bear, Stradivarius, Cortefiel and C&A amongst others, as well as a strong food offering and cinema complex. The remaining GLA of 7 753m² is anchored by a Continente Hypermarket, with a strong trading performance, as well as smaller adjacent stores which do not form part of the Transaction.

8ª Avenida boasts a footfall of 6 million people and total annual sales of c. €58 million.

The centre is dominant in its catchment area and has a resident population of approximately 260 000 inhabitants within a twenty-minute drive.

5. Rationale

The Transaction is aligned with Castellana's strategy of acquiring dominant centres in regional cities and will complement Castellana's existing retail portfolio. The Portuguese retail market is well supported by customers with a strong shopping centre culture and is strengthened by the lack of high-street offerings in the country.

The Transaction offers an attractive entry point for Castellana into Portugal, spread across Lisbon and greater Porto and increases Castellana's exposure to the Iberian Peninsula. The portfolio offers a compelling retail shopping centre platform from which to build and grow Castellana´s Portuguese business. The Castellana management team already has a deep understanding and significant experience in owning and managing shopping centres in Portugal, which further supports Castellana's expansion into the region.

Portugal forms part of the Iberian and Southern European attractive growth story, with positive GDP growth in line with Spain and low unemployment rates (c. 6%). The Portuguese economy has benefitted from high migration and record tourism post-pandemic. The economy is likely to be further bolstered by the EU NextGen funds.

The portfolio offers low rents relative to market and strong sales ratios, presenting opportunities for growth in net operating income in the medium to long term. Through Castellana´s active asset management approach, it is possible to extract attractive growth from the centres over time.

6. Purchase Consideration and Closing

The aggregate purchase consideration for the Properties is EUR 176 500 000 (net of acquisition costs of EUR 4 400 000) (the "**Purchase Consideration**") and will be settled by Newco in cash and discharged on the Completion Date, as defined below.

The portfolio is being acquired at an initial net income yield of c. 9%. When applying the anticipated interest cost on the proposed senior debt, we expect the portfolio to deliver a cash-on-cash yield of c. 10%.

Closing shall take place as soon as possible within 5 (five) business days of the satisfaction of the conditions precedent (referred to below) (the "**Completion Date**"), but not earlier than 1 October 2024 nor later than the long stop date, which unless otherwise extended, is the limit date for completion to take place. The long stop date is 3 (three) months after the Completion Date.

The parties to the Transaction are working in good faith towards completion on 1 October 2024.

7. Funding

Newco will refinance an existing in-country asset-backed debt package of EUR 72 500 000 (representing an approximate LTV of c. 38%) with existing lenders (the "**Lenders**"). The remaining EUR 104 000 000 of the purchase consideration will be funded by a subscription for shares in Newco, of which 80% will be subscribed for by Castellana, using existing cash resources of the Vukile group and 20% will be subscribed for by RMBIA.

8. Conditions Precedent

The Transaction is conditional on the approval by the Lenders of the re-finance of the existing in-country asset-backed debt package, including a change of control of the companies and the release of the Seller from any liabilities relating thereto. Castellana has received binding term sheets from the Lenders in this regard and the funding is only subject to the finalisation of legal agreements.

9. Property specific information

Details of the Properties are set out in the table below:

Property name	Geographical location	Sector	*GLA (m^2)	Weighted average rental per m^2 (EUR/m^2)	Purchase Consideration (EUR)	Value attributed to the Property as at 31 May 2024 (EUR)
RioSul	Lisbon	Retail	23 515	23.50	75 000 000	75 779 000
Loures	Lisbon	Retail	29 398	17.80	55 205 838	65 437 000
8ª Avenida	Porto	Retail	21 170	19.60	46 294 162	48 262 000

*Represents NewCo’s share of the GLA to be acquired

The Properties were valued in accordance with Royal Institution of Chartered Surveyors standards by Jones Lang LaSalle Limited, an independent external property valuer.

10. Financial information

Set out below are the forecast rental and recovery income, net property income, net profit after tax and profit available for distribution relating to the Properties (the “**Forecast**”) for the 6 months ending 31 March 2025 and the 12 months ending 31 March 2026 (the “**Forecast Period**”).

The Forecast has been prepared on the assumption that the effective date is 1 October 2024 and on the basis that the forecast includes forecast results for the duration of the Forecast Period.

The Forecast, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the directors of the Company. The Forecast has not been reviewed or reported on by the Company’s auditors.

The Forecast presented in the table below has been prepared in accordance with Vukile’s accounting policies, which are in compliance with International Financial Reporting Standards, and represents 100% of Newco’s share of the Properties to be acquired by Newco.

EUR	Forecast for the 6 months ending 31 March 2025	Forecast for the 12 months ending 31 March 2026
Rental and recovery income	13 328 693	24 172 400
Net property income	8 995 799	15 319 508
Net after tax profit	6 067 712	9 718 625
Profit available for distribution	**6 067 712**	**9 718 625**

The Forecast incorporates the following material assumptions in respect of revenue and expenses:

1. The Forecast is based on information derived from lease contracts, budgets and additional information provided by the Seller.
2. The Forecast has been prepared on an aggregated basis for the Transaction only. It is assumed that the Properties will not be disposed of during the Forecast Period.
3. Rental revenue has been forecast on a lease-by-lease basis.

4. Contracted revenue comprises rental and recovery income based on existing lease agreements, including stipulated increases, all of which are valid and enforceable.
5. Near-contracted revenue comprises rental and recovery income from leases expiring during the Forecast Period which are assumed to renew at current market rates, unless the lessee has indicated its intention to terminate the lease. Such revenue is classified as near-contracted rental revenue from the date of expiry of the lease.
6. 88% of rental and recovery income for the Forecast Period is contracted. The remaining 12% of rental and recovery income is near-contracted and represents renewals which have been forecast at current market rates.
7. The Forecast for the 12 months ending 31 March 2026 includes a temporary loss of income of EUR 1 572 512.00 due to planned value add projects that will be completed during the period.
8. No fair value adjustment is recognised.
9. There will be no unforeseen economic factors that will affect the lessees' ability to meet their commitments in terms of existing lease agreements.

11. Categorisation

The Transaction is classified as a Category 2 transaction in terms of the JSE Listings Requirements and accordingly does not require Vukile shareholder approval.

9 September 2024

JSE sponsor

JAVACAPITAL

NSX sponsor

IJG Securities (Pty) Ltd. Member of the NSX